

Differentiation and Innovation in Helsinki Hospitality Companies

Ano Vilén

Bachelor's Thesis
Degree Programme in
Experience and Wellness
Management
2015



Author Ano Vilén	
Degree programme Degree Programme Experience and Wellness Management	
Report/thesis title Differentiation and Innovation in Helsinki Hospitality Companies	Number of pages and appendix pages 40
<p>Tourism is a growing multi-billion euro industry. Offerings in tourism marketplaces are growing and so the need for differentiation and innovation also. As consumers are in facing a sea of options in offerings what are companies doing in order to differentiate and innovate. In this thesis there are introduced differentiations and innovations, via example companies, in hospitality fields which are parts of this large economic machine called tourism.</p> <p>Accommodation, restaurant and transportation fields of hospitality in the tourism industry are taken into a closer look from the perspective of differentiation through innovation.</p> <p>In highly competitive marketplaces what can service companies do and what are they actually doing in order to differentiate themselves in the cut throat ocean of competition in modern markets.</p> <p>To narrow this topic discussion limits itself into the capital area of Finland that is Helsinki. Examples of each 3 hospitality fields; accommodation, restaurant and transportation will be introduced. These example cases represent hospitality companies in their respective fields which have taken action to differentiate them from the competitor pool by using innovation.</p> <p>The goal of this thesis is to analyse small part of each of the 3 hospitality fields in Helsinki, via example companies; accommodation, restaurant and transportation and to conclude what is available for companies and what companies are actually doing to differentiate and innovate and what implications this brings.</p> <p>The research-oriented thesis is implemented by a theoretical overview combined with example companies from each of the 3 hospitality fields; accommodation, restaurant and transportation.</p> <p>This thesis is based on unstructured interviews, observations, lectures, company visits and tours as well as literature and secondary data. Data collection in this thesis was done before hand and some during the thesis. The results are backed up by references and sources in order to achieve more objectivity and validity for the results.</p> <p>It seems that whatever the differentiation strategies or tactics the underlying offerings' quality levels need to be in a good level. After this two key aspects are price and experience. With a competitive pricing differentiation is proven to be effective. Also by placing an emphasis on the overall experience differentiation also can be achieved successfully. There are similarities among literature and among the example companies although more advantages can be taken.</p>	
Keywords Differentiation, Innovation, Experiences, Pricing, Hospitality, Accommodation, Restaurant, Transportation, Helsinki	

Table of contents

1	Introduction.....	1
2	Literature review	4
2.1	Services & Experiences	4
2.2	Innovation	11
2.3	Differentiation	14
2.4	Framework	21
3	Methodology	22
3.1	Research strategies, methods and justifications	22
3.2	Data collection and analysis	23
3.3	Limitations and ethical considerations	25
4	Analysis of results.....	26
4.1	Accommodation – Klaus K.....	26
4.2	Restaurant – Grotesk.....	28
4.3	Transportation – OnniBus.com	31
5	Conclusions and implications.....	36
	References	41

1 Introduction

Tourism has rapidly expanded into a multi-billion euro industry and the growth continues. Globalization and advances in technology have helped tourism grow in a myriad of different ways. (Page 2009, 232-233.) Now more people than ever are a part of the massive global tourism industry. (Page 2009, 168-169.) With the expansion of tourism more services and products are also available for tourists to utilize. (Pender 2001, 75-82.) The tourism market is filling with ever more complex and intriguing primary and auxiliary offerings. Seeing as how tourism is bigger than ever, filled with more services and products than ever competition is hence tougher than ever. This creates pressure for service and product providers. Companies must stay sharp in the ruthless tourism market places.

This also creates more positive opportunities, chances for truly innovative and pioneering companies to perform and show of their expertise. With markets filled with services and products each better than the other, this truly is the golden era of differentiation and innovation. (Coutelle-Brillet, Riviere & des Garets 2014, 164.) A lot is being talked about individualisation and customisation. Companies who are paying attention to these signals are the ones at the top of the mountain. Nowadays companies absolutely cannot afford to coast and drift in the former glory and reputation of the days gone by. Companies are forced to take action, to innovate, to be better than before in constantly changing market places where uncertainty and competition are at their very peak.

Giving this expansion of the tourism industry its scope and borderlines are becoming more blurry. What fields and businesses belong to the tourism industry directly or indirectly is a question to which an answer is harder and harder to give as time goes by and the tourism industry becomes more interconnected, complex and redefines itself. One way of dividing tourism field employees is through different characteristics such as physical work space, worktime and character of work. Based on those characteristics four professional identities can be found: performers, clerks, expert entertainers and translators. (Tarssanen 2004, 30-31.)

If looking at tourism industry from a classical and bare bone viewpoint. It is possible to separate 3 distinct fields within the tourism industry; accommodation, restaurant and transportation. All of these 3 fields we can gather under the hospitality umbrella. It is these 3 hospitality fields among the tourism industry that are present in almost all tourism endeavours from the perspective of a tourist. These 3 hospitality fields form the backbone of the tourism industry and that is why these 3 hospitality fields are chosen for this thesis. (Peters & Pikkemaat 2005, 95.)

The very objective and goal of this research-oriented thesis is to take a further look at these 3 hospitality fields among the tourism industry in Helsinki, via example cases; accommodation, restaurant and transportation from the perspective of differentiation through innovation. What can companies do and what are they actually doing to differentiate. Through theoretical review as well as example companies this thesis addresses the matter if there are some combining elements and implications among these hospitality fields that help companies to differentiate in this scope and context.

To narrow the scope this thesis focuses on hospitality businesses from each of the 3 fields from the capital area of Finland that is Helsinki. From the transportation field the case company examined is OnniBus.com. A relatively new bus coach company that shook the competitive landscape of Finnish transportation field with its pricing strategy combined with good service quality but certain trade-offs. Represented from the hospitality field of accommodation is hotel Klaus K, a thematic design hotel in the centre of Helsinki offering experiences in a luxurious setting. Last, is the restaurant case company Grotesk, also situated in the centre of Helsinki. Restaurant Grotesk revolutionized the wine pricing in Finland by introducing a fixed sales margin in all of their wine selection. Through these case companies combined with a theoretical overview this thesis seeks to pinpoint differentiation strategies available and usable and to conclude what similarities and implications can be found in the each of the respective hospitality fields.

This thesis is based on unstructured interviews, lectures and company visits and tours and also observations as well as theoretical knowledge. Data collection was done before and during the making of this thesis. With hotel Klaus K the data was collected beforehand with a tour of the hotel and a lecture by a member of senior management. Additional data was gathered via their own and third party sources. With restaurant Grotesk the data was collected beforehand with observation and unstructured interviews with the staff. Additional data was gathered via their own and third party sources. With OnniBus.com the data was collected by observation and their sources as well as third party sources.

The main research problem is what models, frameworks and ideas are available for companies in order to differentiate or innovate and what is it that companies are actually doing in real life. Even though there are a myriad of differentiation strategies available as will be illustrated with theory and these examples of case companies it remains a challenge addressing knowledge and theory to a live situation. Due to the scope of this thesis it also remains unclear whether proven successes can be replicated by others, for example, different parts of the world.

As the research tries to find out what is available for companies and what are they actually doing and what are the similarities and implications of this the research can be classified as an explorative research. (van der Velde, Jansen & Anderson 2004, 17.)

As tourism grows and accolades like the world design capital that Helsinki was awarded in 2012 shift focus on Helsinki. In order to reply to these kinds of boosts in number of people Helsinki hospitality companies could gain more profits by differentiating and innovating. (World Design Capital 2015.)

This thesis begins with a literature review of services, experiences, innovation and differentiation. Multiple definitions and viewpoints are introduced before jumping ahead to the methodology and to the 3 hospitality field example companies that are introduced along with relevant theory. Finally are the analysis of results and conclusions and implications. The examined literature consists of works composed mainly in this millennia supported by classic opuses those that time has tested and approved.

In the literature review first are discussed services and experiences. Small details and knowledge management will be discussed. Experiences with their realms and triangle will be introduced. Finally, the progression of economic value as well as customization and value creation will be discussed.

Moving on into innovation, modes, zones and continuum along with innovation in different markets will be discussed. The process of new service development along with the importance of organizational support in innovation is both introduced. Next differentiation and its models, frameworks and strategies are discussed. Measuring differentiation, competitive forces as well as dilemmas of differentiation are presented before moving on into the analysis of results.

In the analysis parts all of the 3 example companies are introduced and their characteristics of differentiation and innovation presented along with relevant theory. Finally the conclusions and implications draw this thesis to an end with final words on the similarities and implications of the results presented in the previous chapter. Along the thesis multiple figures will be introduced in order to conceptualize the ideas more clearly and help the reader to form a picture of the ideas.

2 Literature review

In this literature review multiple definitions as well as frameworks will be introduced from both innovation and differentiation. First though a peek will be taken into the world of services and experiences. By doing this groundwork before taking a look into innovation and differentiation a more holistic view will open up.

2.1 Services & Experiences

As mentioned in the introduction today's service companies operate in a higher level than ever before with their products and services being of ever higher quality. What this means is that it is becoming more and more challenging creating value for customers by simply improving these existing products and services that are already of the highest order. Since many product and service providers offer excellent quality customers are being pampered and get used to it while it becomes a norm. With this phenomenon price is on the fast track of becoming the single most prominent factor in the customer purchase process. But what can companies do to change this premise in a competitive landscape filled with similar offerings? The answer is: small details. It seems that the small details that customers actually care about can improve companies' chances of getting picked from the competitive herd by customers. It is these small details that have a huge power in the decision making process of customers. By improving the holistic experience of an interaction through these small details can prove to be quite dramatic. (Nolton, Gustafsson, McColl-Kennedy, Sirianni & Tse 2014, 254-255.)

What are these small details companies should pay attention to? 3 approaches can be used for a successful outcome. First, is making an overall experience as smooth and holistic as possible so that there are no contradicting or separate entities in the product or service purchasing process and interaction with customers. Everything needs to be carefully built so that customers feel a process is as holistic as it can be. Second is making sure that a product, service as well as a brand image and company can make an emotional bond with customers. Customers may like a product or service but if customers are unable to emotionally bond with for example a brand image customers can easily choose another product or service providers. Third, and final, approach is the integration and combining of the 2 first approaches. For an optimum result both of these approaches should be utilized. (Nolton & al. 2014, 261, 264-266.)

Another way of arriving at the same result of providing customers a holistic experience can be achieved by the use of knowledge management model called MAKUSO (**MA**turity level of **K**nowledge **U**sage in **S**ervice **O**rganizations.) How the model works is this:

basically it is divided into 4 layers. The first the layer consists of internal (employee) knowledge and external (customers' experience) knowledge. The second layer leverages the internal and external knowledge holistically to provide better customer experience, which is the third layer. Through this process a company is able to achieve sustainable competitive advantage, which is the fourth layer. (Tzortzaki 2014, 862, 864.)

The word experience has been referred to but what is exactly an experience? Staging experiences is all about engaging customers. This can happen in more than a couple of ways. When put together these ways form what are called the experience realms (figure 1). On the horizontal axis is depicted the participation levels of customers (passive to active) whereas on the vertical axis is the connection levels of customers (absorb to immerse). When the experience has active participation and high absorption it is classified as educational. On the other hand when the experience has active participation but is immersive it is classified as escapist. When moving to the passive participation end of the horizontal axis high absorption equals entertainment and immersive means esthetic. (Pine & Gilmore 2011, 45-46.)

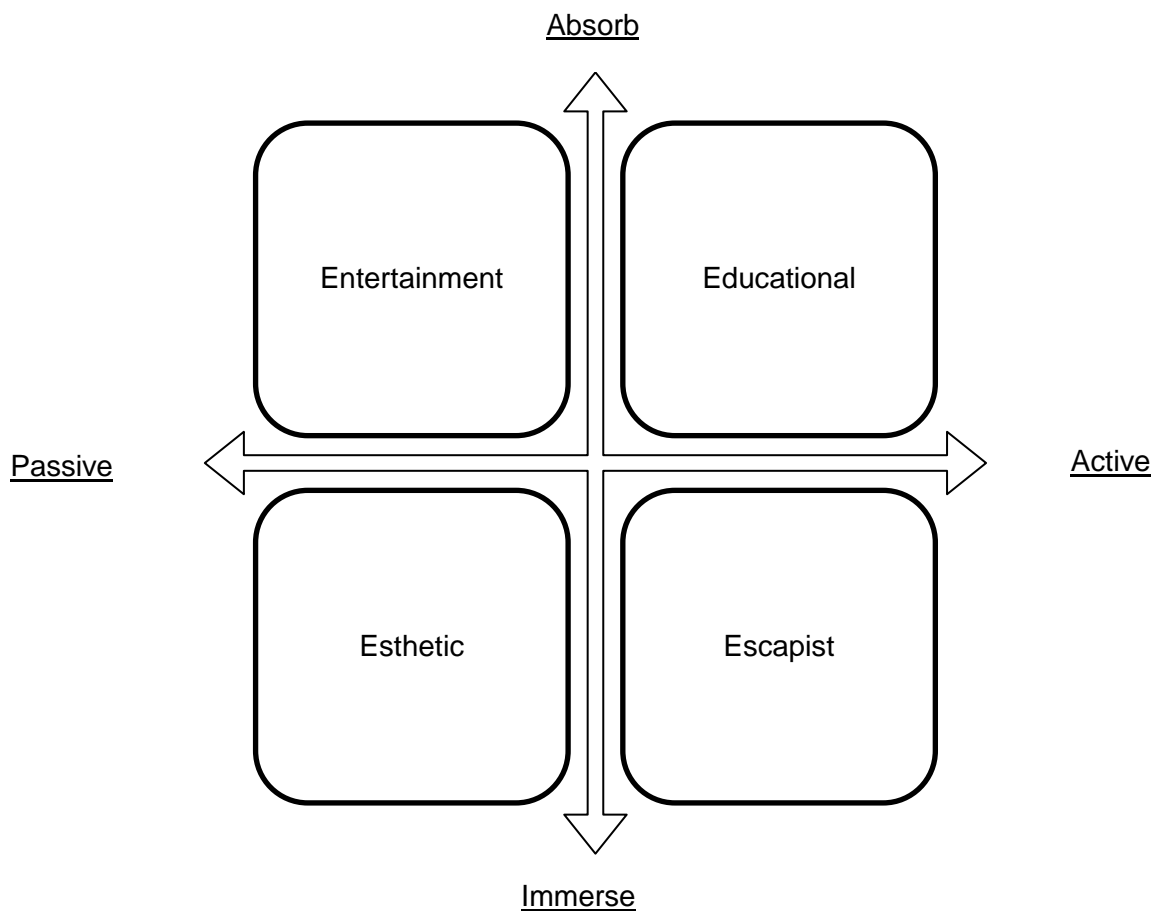


Figure 1. Experience Realms (Pine & Gilmore 2011, 46.)

Staging experiences is among the final end results in the economic value. As the economic value progresses (figure 2) from extracting commodities to making goods to delivering services and finally to staging experience, 3 things progress and indeed rise with it; level of differentiation, price and relevancy to customer needs. (Pine & Gilmore 2011, 34.) As a result of this progression of economic value at the top of the economic pyramid lies transformation. (Pine & Gilmore 2011, 261.) The easiest way to establish the distinctions of the following economic offerings: commodities, goods, services and experiences; are through an example that is easy to grasp. Coffee bean = commodity, coffee package = good, regular coffee house = service and Starbucks = experience. (Pine & Gilmore 2011, 1-2, 9.)

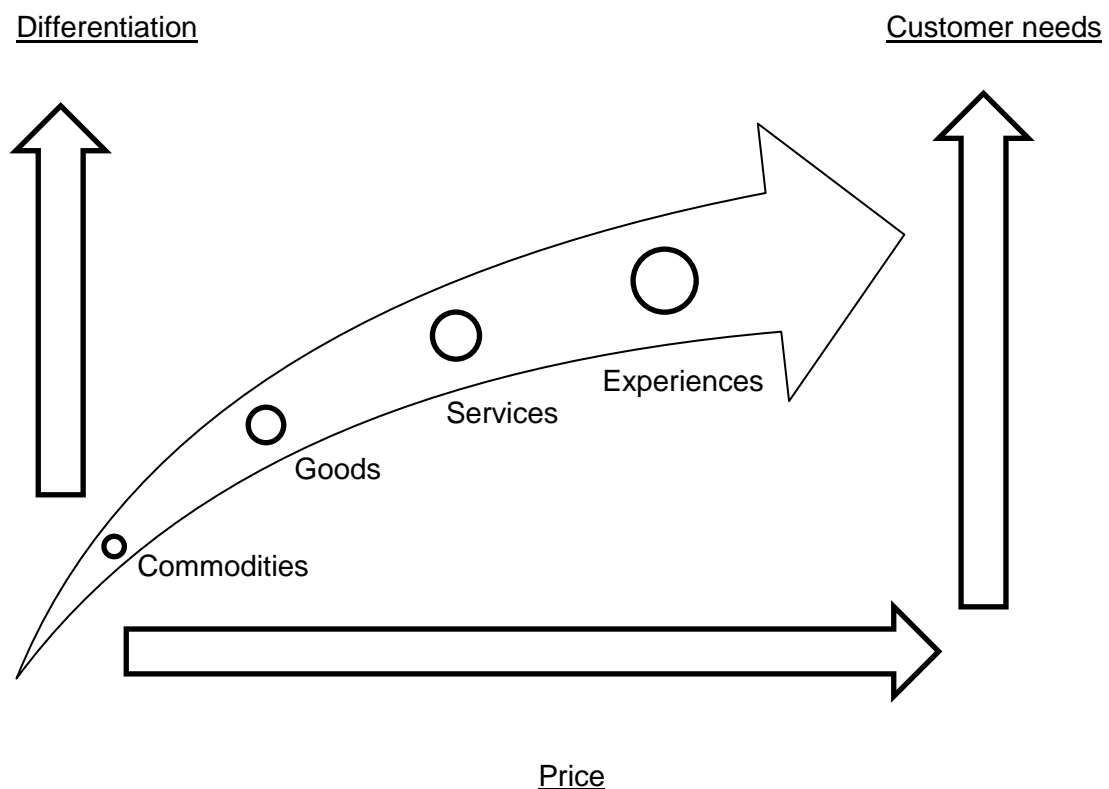


Figure 2. Progression of Economic Value (Pine & Gilmore 2011, 34.)

As the economic value progresses and the needs of the customers and differentiation levels rise, the price of an offering also rises. This is why companies must take care in creating their pricing strategies. In order to maximise profits a suitable strategies and tactics of pricing are critical.

Most of the pricing strategies can be replaced under 2 different umbrellas one being for ordinary situations and the other being for special purposes. Pricing strategies that fall under the ordinary situations umbrella are maximizing profits, revenues, quantities, margins and quality leadership. Other pricing strategies include holding the current

situation and trying to get new consumers via offers. For special purposes there are 3 distinct pricing strategies: survival, cream skimming and penetration pricing. If times are tough and profits low one may need to temporarily adjust to the situation this is called survival. Cream skimming occurs when a restaurant has a new offering or an offering the competitors do not currently have and decides to price it highly for those who must have it and also for the new comers. Penetration pricing is another temporary pricing tactic used when competition is or will be hard that consists of maximizing the quantity even at the sacrifice of making a profit. (The National Restaurant Association Educational Foundation 2007, 81-84.)

One analogy that can be used as a pricing strategy is thinking it as a flower (figure 3). This analogy is called pricing blossom strategy. The foundation of this flower is value based pricing which is something all companies should do. That is just the beginning since some of the customers want a different pricing plan others have unique product needs while some value a product differently. Next we have the stems of the flower as the 3 strategies of pick-a-plan, versioning and differential pricing. Pick-a-plan is something some companies can do. Versioning is something most companies can do while differential pricing is something every company should do. Finally, there are the petals of the flower disguised as pricing tactics. There are 16 tactics built around 4 entities in pick-a-plan strategy these includes the likes of prepaying, leasing and auctions. One should use 1-3 tactics in pick-a-plan strategy. In versioning strategy there are 17 tactics within three entities which include the likes of bundling, private labelling and priority access. 1-3 tactics are recommended in this strategy as well. There is also 17 tactics in differential pricing strategy around four entities these include the likes of rebate, negotiation and geography. A company should always use at least 2-3 tactics in differential pricing strategy. (Mohammed 2010, 115-127.)

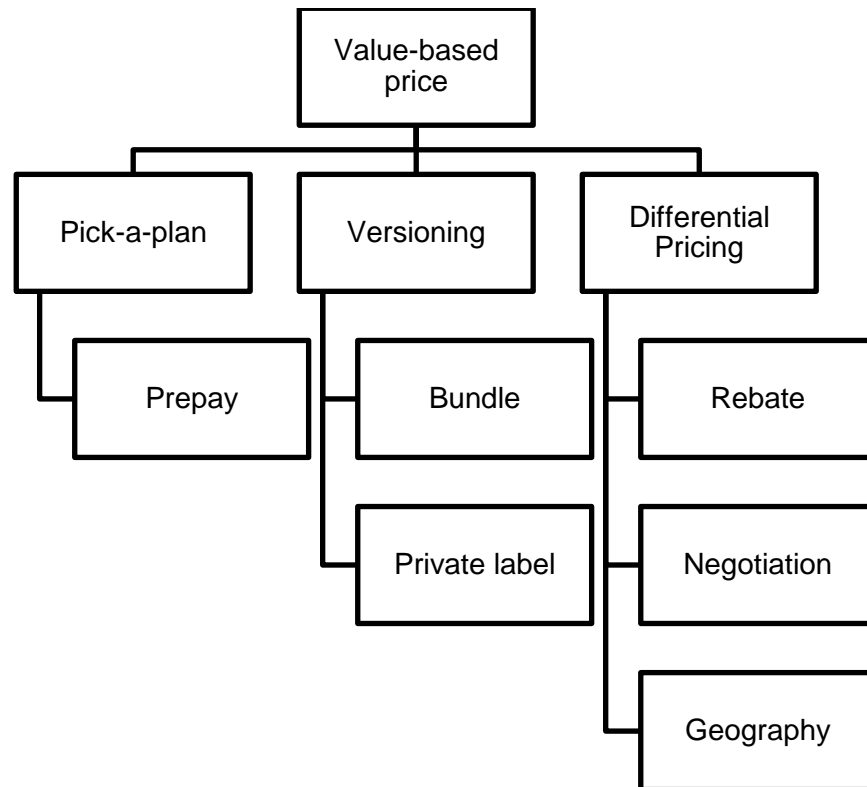


Figure 3. Pricing Blossom Strategy (Mohammed 2010, 116.)

In addition to staging experiences customization is something that is connected in the progression of economic value. Customization is a word that one can hear on a regular basis. But what exactly is customization and on what levels can it present itself. Customization can be defined by 4 characteristics: collaborative, adaptive, cosmetic and transparent (figure 4). Collaborative customization is when companies work with customers in determining their needs and satisfying those needs. Adaptive customization is not about changing a product or service but rather a product or service being changeable as needed. Cosmetic customization is all about changing a packaging or delivery for different customers while a product or service itself does not change. Finally, becomes the transparent customization which is the exact opposite of cosmetic customization. In transparent customization a product or service changes but the packaging or delivery remains the same. (Pine & Gilmore 2011, 131-143.)

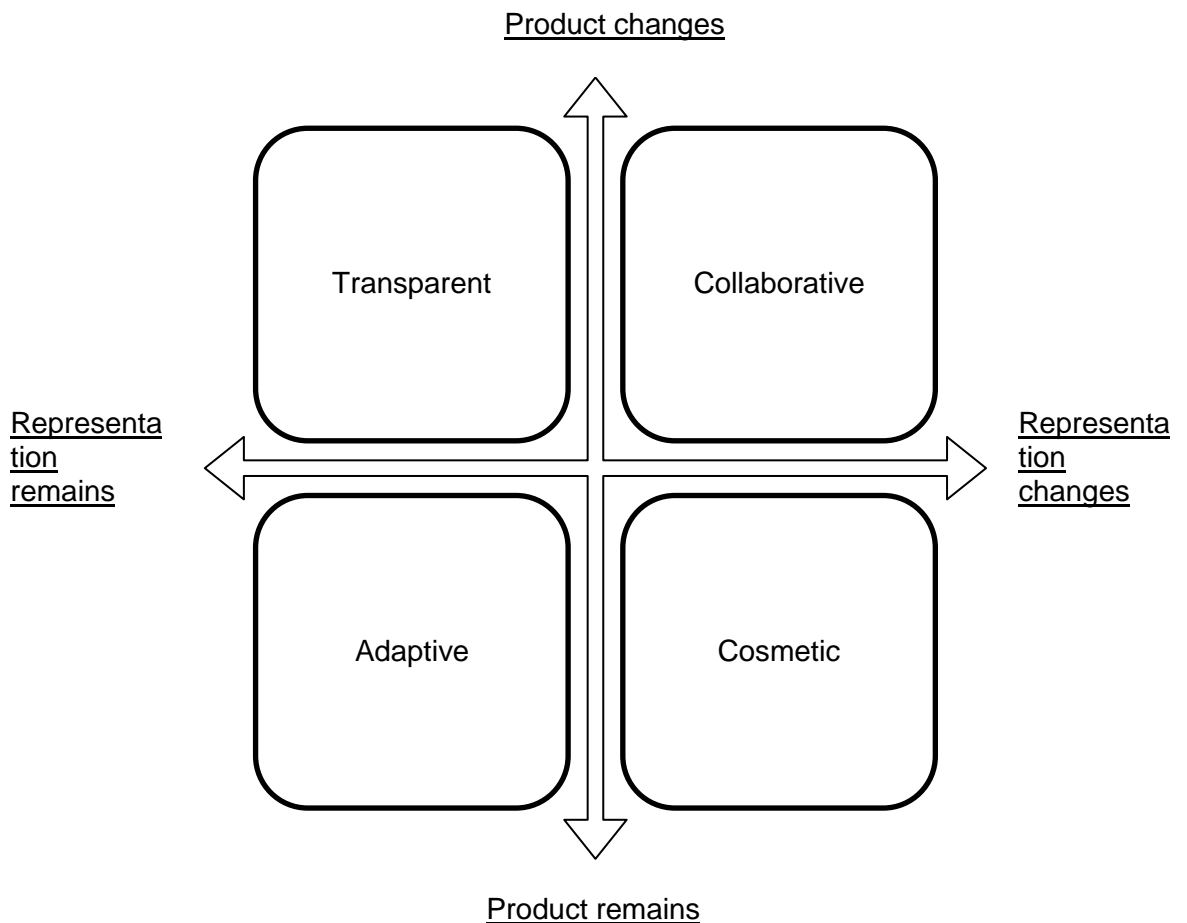


Figure 4. Approaches to Customization (Pine & Gilmore 2011, 132.)

Much like customization, value creation is another topic which seems to pop up quite often. How can companies create value for customers? 4 opportunities that create value will be introduced. First, when it comes to goods mass customization is a technique more companies should take advantage off. Mass customization is making goods based on actual demand rather than a large inventory. Another feature of mass customization is making goods that match the needs of particular customers. When mass customization is applied to a good it becomes a service and also when service gets the same mass customization treatment it will become an experience. Second, when focusing on services more employees needs to receive a command to act by their employers. What this specifically means is that instead of employees receiving orders what tasks to do employees should receive orders on how to do those tasks. Finally, the third and fourth opportunities are related to experiences. Companies should use time as a way to charge customers. Charging for admission is something companies could think hardly. Finally, transformations need to be the end results of staging experiences. The fifth elusive economic offering of transformation in the progress of economic value should be achieved for optimum success. (Pine & Gilmore 2011, xiii-xviii.)

In addition to the experience realms another way of looking at experiences is through the experience triangle (figure 5). On the horizontal level of the experience triangle are the elements of experience: individuality, authenticity, multi-sensory, perception, contrast and interaction. On the vertical level of the experience triangle are the levels of experience: motivational, physical, rational, emotional and mental. Elements of experience are the elements which the experience provider includes in a staging process and the levels of experience are the levels describing customers' experiences.

Individuality refers to the uniqueness and customizability of a product. Authenticity means how credible and truly genuine a product is. Multi-sensory refers to the human senses present in a product, although they should be maximized when possible. Contrast means that a product must open another point of view from customers' own. Things should be different and mixed up from day-to-day routines. Finally, interaction is the communication between all of the participants of an experience. Also included in the interaction is a sense of community.

When moving to the levels of experience first is the motivational level. Interest and expectations are born in this first level. Physical level is where customers are in an experience experiencing it physically. Rational level is where customers starts thinking and draw conclusions of an experience. Emotional level is where if everything is pleasing on all of the previous levels nice emotional feelings starts to evolve. Mental level is where customers can experience a permanent change in their life whether it is physical or mental. (Tarssanen 2004, 8-14.)

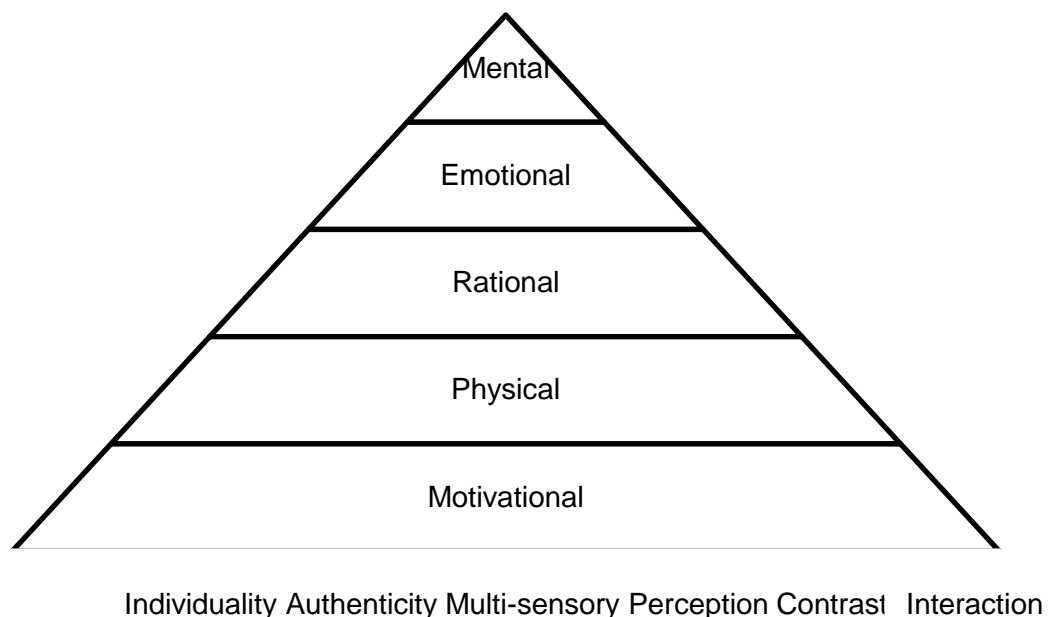


Figure 5. The Experience Triangle (Tarssanen 2004, 8.)

This chapter has taken a look at services and experiences. Through the use of small details and knowledge management companies can offer more holistic and improved offerings for customers. Experiences have been defined by using models such as the realms of experience and the experience triangle.

Experiences are the final step before transformation as the economic value progresses from commodities to goods to services and finally to experiences. Both customer need and price rise along with the economic value. Since price rises with economic value pricing strategies have been discussed as an important factor in experiences.

As a part of the experience economy customization was also discussed and the meaning it has on creating experiences and creating value which is a subject also discussed. As witnessed through a myriad of definitions, models and frameworks the subject of services and experiences are now introduced. Key takeaways are experiences and the progression of economic value and especially how differentiation and price rise along with the economic value.

2.2 Innovation

Like so many other words the word innovation derives from the Latin word *innovatio*, meaning creating something new. Although it must be remembered that merely creating a new process, product or form of organizations does not innovation make. There needs to be a market-base for the aforementioned innovations. In order for an idea to be upgraded into innovation it needs to be applicable and usable in the real world commercially. (Peters & Pikkemaat 2005, 2.)

While tourism and hospitality is growing along with competition this creates an opportunity for service innovation in order for a company to grow. While the number of new services failing is 30% innovation is by no means an easy undertaking. (Coutelle-Brillet, Riviere & des Garets 2014, 164.)

There are 5 types of innovation when it comes to tourism. First is the birth of an unheard good or an upgrade of an old good. Second is the creation of a new production method. Third is the birth of a new market. Fourth is a new supply source. And the fifth is an introduction of an unheard industrial company. (Page 2009, 225.) These types of innovation are certainly not exclusively restricted only to tourism. (Peters & Pikkemaat 2005, 2.)

Innovation mode is the change or introduction of a new service characteristic in the service. There are 6 innovation modes: radical, improvement, incremental, ad hoc, recombinative and formalization. Radical innovation means that a lot of characteristics and systems change. Improvement innovations means some characteristics receive an upgrade without changing too much else. Incremental innovation is similar but characteristics can be also downgraded or eliminated. Formalization innovation consists of placing characteristics into tangible, formal and definitive way. Ad hoc innovation is derivative of a client need and change from present characteristics. Recombinative innovation is either combining characteristics of old services or deconstructing characteristics of an old service. Before entering a market place a service innovation can go through multiple of these aforementioned innovation modes.

Innovation in hotels has a positive effect in performance in 3 areas: marketing, economic and financial. Marketing performance includes indicators such as satisfaction, value, quality and image. Economic performance consists of areas of market share, occupation rate and sales. Financial performance is measured by using metrics such as service, staff and quality to price ratio. (Campo, Díaz & Yagüe 2014, 1299-1301.) First by achieving higher satisfaction rates, customer attachment and better image hotels can improve their marketing results which lead to better economic performance through improved sales and bigger shares of the market. Finally through the risen performance in marketing and economics a hotel will indirectly raise their financial performance. (Campo, Díaz & Yagüe 2014, 1295.)

One way of defining new service development process itself consists of 3 parts: figuring out the needs of a market, creating corresponding services and launching them. Another definition of new service development can be construed of 4 parts: scanning the market, creation of services, selling the services and finally physically implementing the services. What must be taken into consideration in service innovation is that it should absolutely create value to both parties the company and their customers. (Grenmyr, Witell, Löfberg, Edvardsson & Fundin 2014, 123-125.)

There are 4 innovation zones each suited specifically for a certain stage of a company's markets. For growth markets there is the product leadership zone where product refers to any offering be it a good or a service. In this zone the focus is on the offering itself. The zone includes the following types of innovation: disruptive, application and product and platform. Disruptive innovation at its core is shaking up the market place with a company's offering or business model. Application innovation is all about trying to break to new markets with an old product or combining old products to achieve this. Product innovation is about characteristics and features that competitors do not possess. Platform innovation

is all about unifying and simplifying the value chain thus adding value and getting rid of unnecessary complexity.

For mature markets there is the customer intimacy zone which emphasises the customer bond. The zone includes the following innovation types: line-extension, enhancement, marketing and experiential. Line-extension innovation changes the characteristics of an old offer to break into new categories. Enhancement innovation improves and changes the small characteristics of an old offer to revitalize the category. Marketing innovation focuses on trying to sell the product with the great marketing already in the beginning of the purchase process by creating a buzz. Experiential innovation is not about the offering itself but the holistic experience created by it. Also for mature markets is the operational excellence zone which focuses on the supply side unlike the customer intimacy zone. The zone is about profitability through operational success. The innovation types includes: value-engineering, integration, process and value migration. Value engineering innovation is all about keeping the offering the same while reducing cost from production and raw materials. Integration innovation focuses on eliminating and minimizing multiple complex elements and distilling them down to a single cohesive whole. Process innovation emphasises the removal of any steps in the process that does not add value to the offering while keeping the offering intact. Value migration innovation is all about moving the business model so that a company can charge from a more profitable part of an offering while reducing the price in some other part.

Finally, for the declining markets is the category renewal zone which is all about thinking about the next category while taking everything you can from the existing category. In this zone there is organic innovation and acquisition innovation. Organic innovation focuses on finding and addressing new customer needs and problems in the same sector but with different offerings. Acquisition innovation is about merging and acquisition to find success in an existing or new category. (Moore 2006, 61-72.)

Innovation can also be looked through a threefold innovation continuum. On this continuum innovation is categorized as incremental, substantial and transformational. Each category has its own affect to the marketplace in question. First, incremental innovation has only a little affect to marketplace that can be witnessed as a preference to the offering. Innovation level in this is relatively low and enhancement only by a touch. In substantial innovation the effect to the marketplace is so high as to create a new category or subcategory and the level of innovation is also higher. This will also draw customers that were not previously not even considering the offering. Finally, there is the transformational innovation which totally changes the marketplace to that extent that it removes the present competition and changes the business model completely. It is a

qualitative change where a new category or subcategory is easily distinguished and new markets penetrated. (Aaker 2011, 20-25.)

Coming up with innovations from the innovation continuum is hard itself but even harder without support from the organization. An innovative organization can be viewed to consist of 3 distinct characteristics. Dynamic strategic commitment, selective opportunism and centralized resource allocation is what an innovative organization consists of. Selective opportunism is about scanning for opportunities and advances in technology that can be taken into advantage. When such things like trends and new applications are recognized a company must be willing to push towards the substantial and transformational innovations in the innovation continuum. The key is to pick the right opportunities and technologies and not randomly deciding to have a go. What epitomizes a company that has taken advantage of selective opportunism is strategic flexibility. Dynamic strategic commitment is all about betting into a recognized opportunity and pursuing it. A company must be willing to pursue incremental innovation. Nevertheless if it turns out as a bust a company must be dynamic enough to let go and not to be stubborn. Dynamic strategic commitment also focuses on the long term point of view instead of overnight pay-off. Centralized resource allocation also meaning organization-wide resource allocation means that the whole organization is among those able to innovate and not just a part of an organization. In centralized resource allocation there needs to be a clear tool and system available for determining where resources are pointed and the basis for it. If there is a more lucrative destination for resources than an existing one a company should be able to address that need with more resources moved to it. (Aaker 2011, 332-352.)

This chapter has taken a look at innovations. To be more precise different definitions along with models of innovation has been introduced. Innovation has been discussed in different contexts and for different markets. Innovation modes, zones and continuum have been introduced along with the important factor of organizational support in innovation. Also the processes of new service development have been discussed.

The key takeaways in this part are the fact that merely creating something new does not innovation make unless it is applicable in real life and has a market-place. Finally, it also is important to notice how methodical and structured innovation is and how crucial is organizational support.

2.3 Differentiation

Differentiation can be defined in a myriad of ways but at the end of the day it can be said to boil down to customer perception. If a customer perceives offerings from another

company to be more valuable to said customer thus the company in question is differentiated. When it comes to restrictions concerning differentiation only the company's creativity and environmental opportunities hamper and limit differentiation. A good incentive for a company to differentiate is quite simple, higher profits. (Barney 2007, 238-239.) Why differentiation is a worthwhile effort is simple. When a company is differentiated competition will hit more on those who charge less. (Becerra, Santaló & Silva 2011, 1.)

In addition to customer perception differentiation can be defined as a strategy where companies try to get customers to pay for their product thus achieving competitive advantage. To achieve this companies usually change their existing offerings or create new ones. To do this a company can take any or all of the 3 following roads. First, by focusing on the characteristics of the offering like features as well as time and location of an offering a company can differentiate. Second way of differentiation is through the relationship between the customer and the company. This can include ways such as customizing the product to fit the customer needs or great marketing schemes and a superior brand image. Finally, differentiation can occur through internal or external company linkages. This can happen with the usage of a company's mix of products and distribution as well as customer service and support. (Barney 2007, 200-207.)

There can be some hurdles and dilemmas when implementing these differentiation strategies such as: collaboration, control, history and vision. There is a saying that too many chefs make a bad soup. Collaboration also can be too minimal for optimum success. Unnecessary paperwork and rules can hamper innovation but too little control can result in messy affair just as the same. If one looks at too much in the past one can forget to move forward but if there is no history at all one can fail to take full advantage of it. Without vision is hard to see where the innovation is going but too much can cause tough situations if the market suddenly changes. (Barney 2007, 225.)

If a company has implemented a differentiation plan and wishes to measure the performance of possible different elements this is how it is done through examples. In case of improving the quality of service through differentiation take a survey if it has been successful. If economic profit has been achieved or not through differentiation just take a look at your return on investment rates. If new products have been successfully launched through differentiation view the patents approved. If the delivery has been faster through differentiation do an inventory. (Barney 2007, 235.)

Differentiation can be defined as types of differentiation in a model which vertical axis consist of differentiation level of merchandise and horizontal axis consisting of differentiation level of support (figure 6). When an offering exhibits high level of both

merchandise and support differentiation the differentiation type is called a system-buy. Think of a luxury restaurant (merchandise) that offers superior home delivery at all hours (support). When the differentiation level of merchandise is high but the support level is low that type of differentiation is called a product-buy. Take the previous luxury restaurant without the excellent delivery. When both the merchandise and support levels of differentiation are low the differentiation type is called a commodity-buy. Downgrade the previous luxury restaurant into a normal restaurant without the home delivery. When the differentiation level of merchandise is low but the differentiation level of support is high that differentiation type is called a service-buy. Think of the downgraded normal restaurant with excellent home delivery at all hours. (Mathur & Kenyon 2008, 63-65.) The purpose of differentiation is to draw customers against the competition based on characteristics rather than price that are visible to the customer. Some opt to choose more share and lower margins and vice versa. (Mathur & Kenyon 2008, 59-60.)

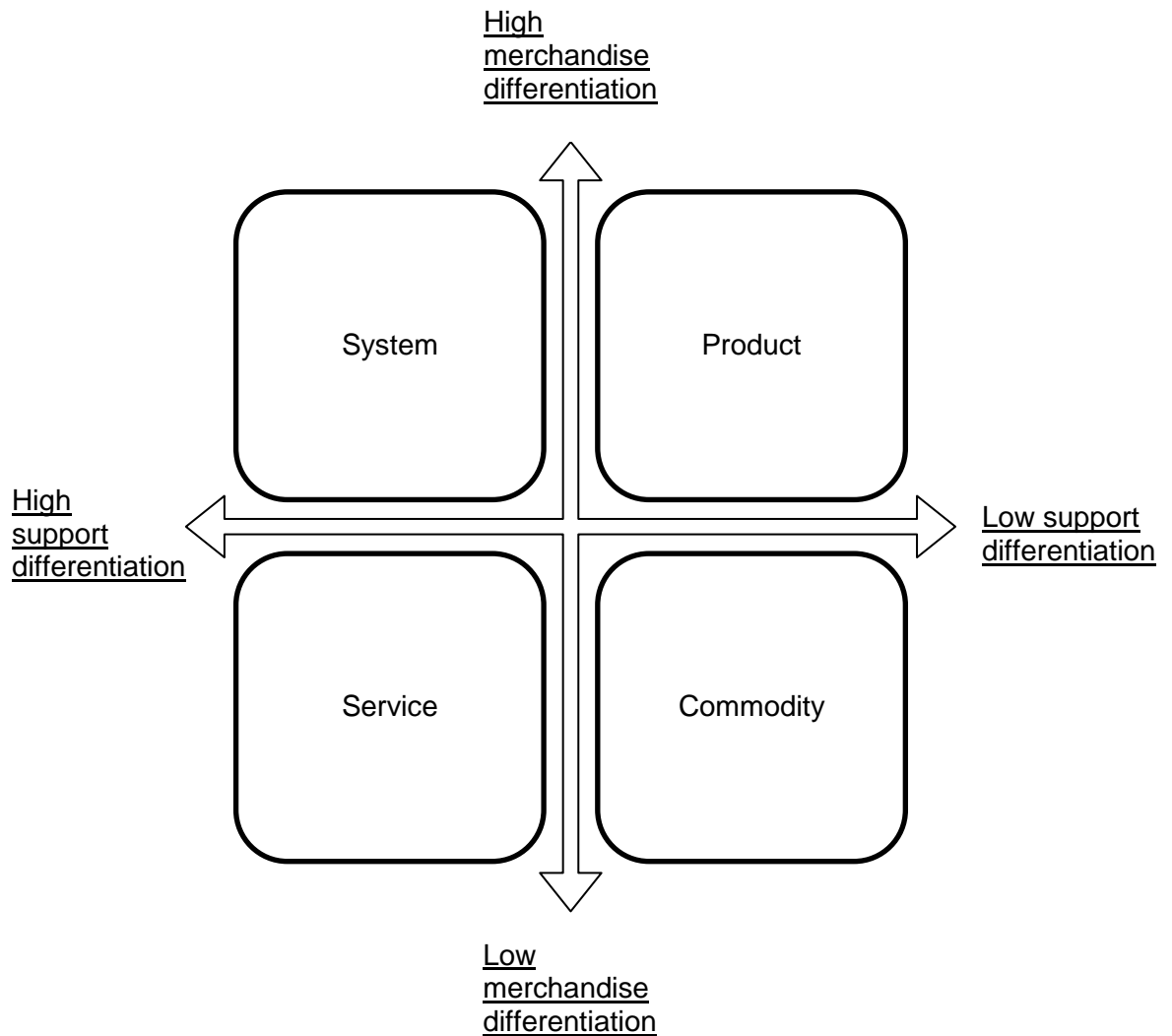


Figure 6. 4 Types of Differentiation (Mathur & Kenyon 2008, 63.)

While it cannot be seen as a big surprise that managers like to opt cost leadership strategy over differentiation since it carries less risk and volatility. However differentiation is proven to sustain performance better than cost leadership. But the added risk and volatility is why differentiation is put aside with relative ease when the pressure is on to edge safe bets all around. (Banker, Mashruwala & Tripathy 2014, 890.)

It is paradoxical how improving a certain characteristic of an offering can actually take it closer to the competitive herd than to the bliss of differentiation. If an offering possesses 3 attributes: 1 below industry average and 2 higher than the aforementioned average. Only by improving and reaching the industry average in the attribute currently below it an offering becomes level with the industry average in that attribute and that is the key word, average. But if an offering continues to raise the high level of the 2 attributes higher than the industry average differentiation is thus achieved. (Moon 2010, 32-37.)

An expensive route to offering commoditization is product augmentation which can appear in two ways: augmentation-by-addition and augmentation-by-multiplication. The first is all about slapping extra features on to an offering until competitors match it and eventually becoming the industry norm that is expected. The second is multiplying the original offering only very slightly altering it until there are a myriad of choices and categories while the end customer is at a great profusion in the sea of choices. (Moon 2010, 52-63.)

There can be seen 3 ways to differentiate; reversal, breakaway and hostility.

Differentiation by reversal means is that when competition is going forward and adding speed you decide to stop and go backwards. There is more to that than merely taking a step back it includes the introduction of some sort of extravagance that helps the company to find itself a differentiated position. (Moon 2010, 110-111.) Differentiation by breakaway is about introducing an offering to a different category than it should be in only slightly modified. Companies know that offering classifications are shallow but important to consumers so they try to bend those classifications of consumers and giving consumers an alternative. (Moon 2010, 135.) Differentiation through hostility is going against the grain, not making things easy and certainly not appealing to everybody. Hostility is about playing hard to get, admitting your flaws and even antagonizing people. This counter intuitive model for differentiation can be very powerful and certainly can elicit powerful feelings in both ways but success is not up for debate when this differentiation method is successfully used. (Moon 2010, 157-159.)

In barebones differentiation can be put to 4 simple steps. Following these steps will go a long way of differentiation success. First step, competition always has something to say for themselves what this means is that a quick overview of the context is needed of the category. What are the strength and weaknesses of the competition? What is the category going through now and is it ripe for a differentiation? What one is saying must be making sense taking all of this into consideration. Second step, differentiate, whether it is by product or service related it does not matter what matted is it needs to be, well, different. Third step, show the difference. Proof of this will become credentials and they are needed since without proof no differentiation has happened. Finally, fourth step; from the rooftops and from all possible avenues communicate the difference. Better offerings are useless if nobody has heard from them. (Trout 2000, 67-69.)

Differentiation can be done in a myriad of ways but what follows are 9 distinct ways or ideas to differentiate. First, if one achieves, does or implements something first that is a differentiation idea. (Trout 2000, 83-84.) Second, being known by a certain attribute is a differentiating way albeit that attribute cannot be owned by a competitor. (Trout 2000, 95-96.) Third, most impactful way of differentiation is leadership. Leadership are the

credentials and customers will believe credentials. (Trout 2000, 107.) Fourth, since a long history has a positive psychological effect on people, heritage is also a differentiating idea. In addition to this effect long history proves that something has been done right for a long time. (Trout 2000, 115.) Fifth, when focusing on specific offerings customers view it as being expert on those offerings which is why market specialty is an idea to differentiate. (Trout 2000, 127.) Sixth, since many people believe what is preferred by other people preference is a way to differentiate. (Trout 2000, 135-136.) Seventh, while much focus is on what an offering can do, this creates an idea to differentiate on how a product is made. (Trout 2000, 145-146.) Eighth, since obsolete previous generation offerings are not attractive offering the latest and greatest of offerings can be an idea of differentiation. (Trout 2000, 155-156.) Finally, the ninth way of differentiation is hotness. Everybody wants to know what is hot and what is not. Word of mouth is especially effective spreading hotness. (Trout 2000, 163-164.)

There are 5 forces at play in an industry competition: substitutes, potential entrants, buyers, suppliers and competitors. Substitutes and potential entrants refer to the threats opposed by substitute offerings and new entrants. Buyers and suppliers refer to the bargaining power each of these possesses. Finally, competitors refer the ongoing rivalry between companies. (Porter 2004, 3-7.)

To fight against these 5 forces there are 3 strategies: cost leadership, differentiation and focus. Cost leadership focuses on minimizing the cost of doing business and it is usually characterized by low sales margins but high volumes. Differentiation is something that is perceived to be unique. Since differentiation emphasizes brand loyalty more than price it is usually possible to have higher sales margins albeit lower market share. Finally, focus which unlike differentiation and cost leadership does not aim for the whole category but rather a specific part of a category and pursues to focus solely on that. That means that those who have focus can better perform in that certain category area than those addressing the whole category. (Porter 2004, 35-39.) If these strategies are ignored it becomes a real danger of being stuck in the middle. What this means is that a company cannot reap the benefits of higher profits by high market shares and low sales margins nor lower market shares and higher sales margins. The company can put itself between 2 rocks and in a bad strategic position. (Porter 2004, 41-44.)

Differentiation can be challenging, with this in mind here are 8 steps on how to differentiate. First, find out who the buyer is. Not a company but rather an individual. Second, research the value chain of the buyer and determine and what is the impact on it. Third, list the purchasing criteria of the buyer. This can be partially formulated from the previous step. Fourth, of the value chain which sources of uniqueness are present now

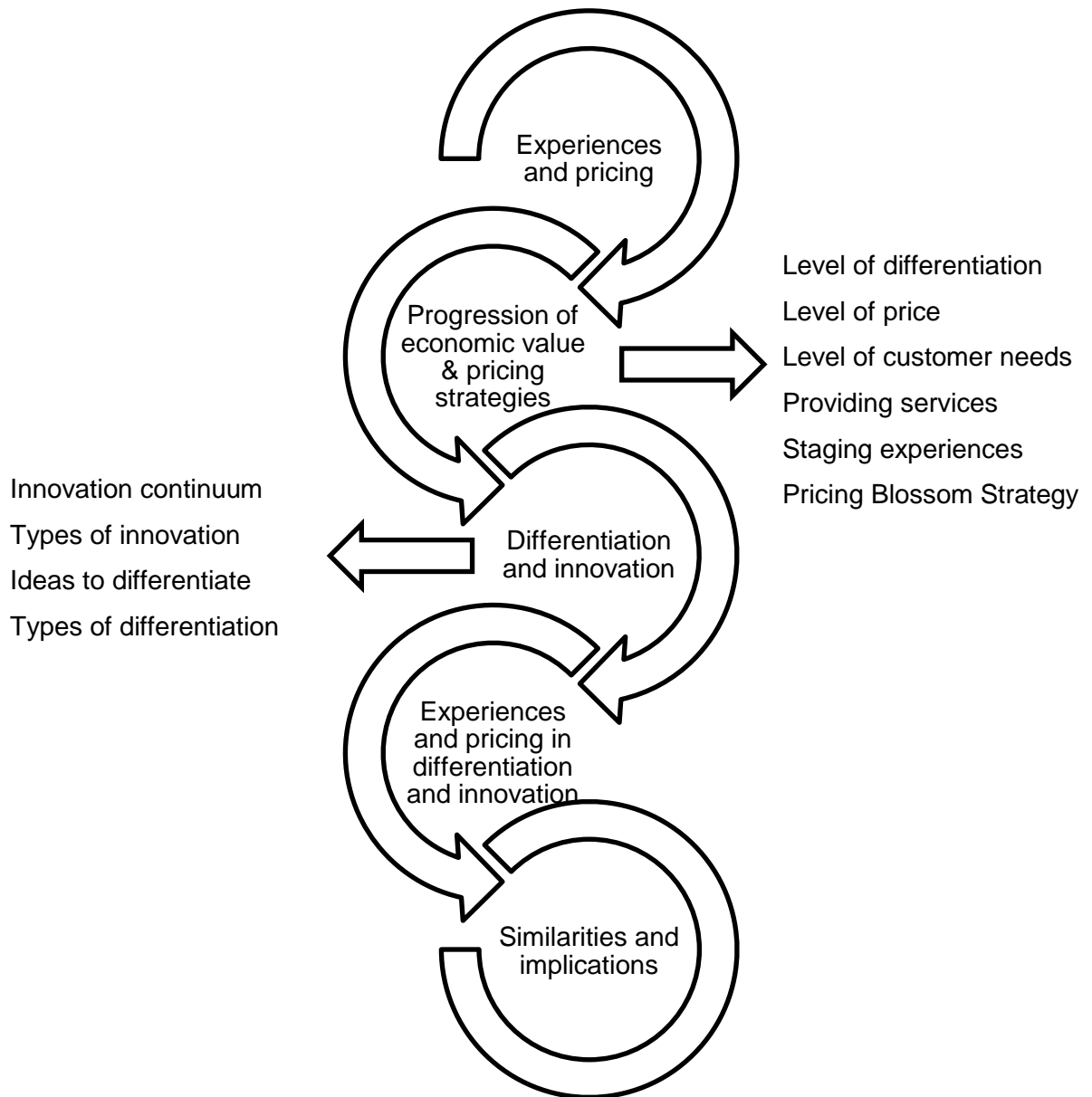
and what future sources can be taken advantage of. Fifth, find out the present and future differentiation sources and how much will they cost. Sixth, keeping mind the cost of differentiation choose a configuration of value activities that prove most valuable for the buyer. Seventh, see if the chosen differentiation strategy is sustainable. Finally eight, minimize the cost in those activities that do not eliminate the value to the buyer. (Porter 2004, 162-163.)

There are 2 types of differentiation, vertical and horizontal. Vertical differentiation makes the offering more appealing to the whole market whereas horizontal differentiation makes the offering more appealing to others while making it less appealing to some in the market. In vertical differentiation customers agree on the ranking of characteristics of an offering. What this means is that if offerings are available for the same price consumers will pick the best one. To achieve vertical differentiation a company can improve its quality and raise prices and since customers agree on this ranking higher profits are reaped. Horizontal differentiation on the other hand is when customers have different preferences of the offerings characteristics. These meaning if offerings are available for the same price all of them have some support. When applying horizontal differentiation a company can use characteristics like geography, time or some other. What horizontal differentiation does is making competitors less suitable alternatives. (Silva 2014, 305-307.)

This part has done its due diligence in presenting multiple models, frameworks and strategies to differentiation. In addition measuring differentiation, the competitive forces as well as the means to fight them have been discussed. Finally, dilemmas of differentiation have been discussed.

The prominent content in this part have been the differentiation strategies, the importance of customer perception and all issues concerning competition and fighting them.

2.4 Framework



As the economic value progresses from commodities to goods to services to experiences the level of customer needs but more importantly the level of differentiation as well as price rises along with it. What this means is that a company can focus on experiences as well as on pricing. With this in mind pricing strategy as well as the creation of experiences are among those possible differentiation and innovation strategies available for companies to utilize.

What can companies do and what success can they have with experiences and pricing in terms of differentiation and innovation. Are there some combining elements and what implications this rises.

3 Methodology

In this chapter methodology will be taken to a closer look. First, research strategies and methods and the justifications for them will be introduced. After this the data collection and analysis process will be taken into closer look. Finally the methodology part will conclude in the ethical considerations and limitations.

3.1 Research strategies, methods and justifications

There are available qualitative and quantitative research strategies. Quantitative strategy tries to quantify data by collecting it and thus analyzing it. Qualitative strategy on the other hand focuses on words and their meaning in data collection and analysis. The key differences can be described by a single word in 3 dimensions. First, quantitative is deductive while qualitative is inductive. Second, qualitative research strategy's orientation is interpretivism while quantitative is oriented in positivism. Finally, qualitative is constructive while quantitative is objective. (Bryman & Bell 2007, 28.)

There a myriad of tools available for both quantitative and qualitative research. Here are 8 tools that are used in qualitative research: focus group interviews, depth interviews, conversations, semi-structured interviews, word association, observation, collages and thematic apperception. Tools that were used from those tools in this thesis include observation and to some extent conversations. Conversations were used because that is an excellent way to gain plenty of insight and talk about sensitive things. Observation was used due to that it is not intrusive and can reveal real life behaviour effectively. (Zikmund, Babin, Carr & Griffin 2010, 142.)

In qualitative research there are 4 traditions. First, it tries to understand things in their own way and emphasizes people and interactions in a natural way. Second, it seeks to get an insight on how things are the way they are through communication. Third, it is subjective with a focus on what happens in the inside of things. Finally, it tries to understand how things can be constructed in different ways. (Bryman & Bell 2007, 403.)

The thesis is using a qualitative approach since only 3 companies were examined in a more specific and meaningful way. The chosen research methods also support the selection of qualitative research strategy. What this means is that the results that the results do not explicitly have numerical value but rather words and descriptions. This in turn supports the selection of qualitative research strategy. (van der Velde, Jansen & Anderson 2004, 79.)

When it comes to tourism measuring innovations is rather complex and unique subject. However if distilled down the measurement sticks should consist of a large variety of fields like accommodation, restaurants, transport, animation, attraction, shopping and public services. (Peters & Pikkemaat 2005, 95.) Based on this I have selected the 3 fields of hospitality; accommodation, restaurant and transportation to a closer look in this thesis.

From these 3 fields of hospitality the case study design was chosen since it revolves around a single case. Case study design is also more favourable to use in a qualitative study consisting of methods used here like observation and unstructured interviews. These methods are beneficial in compiling a detailed view of the case in question. (Bryman & Bell 2007, 62.) An advantage of taking a case study is that it offers insight a deep level of an examined object. However it should be noted that the results cannot be statistically generalizable. (van der Velde, Jansen & Anderson 2004, 79.)

3.2 Data collection and analysis

Methods of collecting data have included archiving data, observation and unstructured interviews. To be more precise written records have been studied to understand a particular company with more specific insight. Participatory research and hidden strategy have been both used. Participatory research meaning that a person does not merely look at the situation from an outside perspective but actively participates in the observation. The purpose of hidden strategy is to look at the situation from the outside and not informing yourself to be a researcher. Group interviews were also used where a lot of people were involved in the discussion and interview. (van der Velde, Jansen & Anderson 2004, 26-27.) Observations and unstructured interviews as well as lectures from the example companies was done and received beforehand. Company visit to Klaus K was done in 12.9.2012 that included lecture from a member of senior management and a tour of the hotel by an employee who was subjected to an unstructured group interview during the tour. OnniBus.com observations were done in 20.7.2014. Grotesk observations and unstructured interviews were done in 15.5.2014. To support this data secondary data was used in the forms of company information, newspaper articles and blog posts.

In literature there are 3 types of knowledge: everyday, professional and scientific. Everyday knowledge is usually written by a journalist to a newspaper or magazine. In addition to professional knowledge there is scientific knowledge which can be found in journals and books. In scientific knowledge there are 3 types of publication: primary, secondary and tertiary. Primary publication can be an article, report or a study. Secondary publication can be a handbook consisting of primary publications. Tertiary publications

offer reviews and summaries of secondary publications. (van der Velde, Jansen & Anderson 2004, 26-27.)

This thesis has taken advantage of everyday knowledge in the forms of newspaper articles and blog posts. The everyday knowledge has proved backing to the primary data. Scientific knowledge has also been used in the analysis process and when making implications. Primary publications have played an important part in this thesis. As they have proved vital literature information to back up claims. (van der Velde, Jansen & Anderson 2004, 26-27.)

Secondary data is data that is collected and reported by somebody else prior the moment at hand. Sometimes the collection of primary data is beyond the circumstances and that is when secondary data is invaluable. This thesis has used secondary data due to its availability, cost and speed. (Zikmund & al. 2010, 161.) The form of secondary data used includes the aforementioned newspaper articles, blog posts and companies' external communication platforms like websites.

There are lot of different data available. If taking a closer look at documents as a form of data it can be seen that there are five different document types: personal documents, public documents, official documents, mass media outputs and virtual outputs. Personal documents can take many forms such as pictures or letters. Public documents consist of publicly available material like parliament texts and statistics compiled by a government. Official documents are those published by an organization like press releases or annual reports. Mass media outputs consist of newspapers, magazines, radio, TV and the like. Finally is the virtual output this include the internet and all of the platforms that one can use in there. (Bryman & Bell 2007, 554-570.)

The internet is a valuable tool in research. Basically the internet can be divided into 2 in terms of research methods. First, internet sites can be used as an analysis object. Second, internet can be used as a platform to collect data. (Bryman & Bell 2007, 661.) In this thesis the internet has been used as an analysis object via companies' websites, newspaper articles and blog posts. The problem faced when using internet as an analysis object is that pages and content are subject to change in there which in turn creates holes in repeatability and revisiting the content and pages. (Bryman & Bell 2007, 662-663.) However it should be noted that the internet allows fast and instantaneous access to large amount of data. (Zikmund & al. 2010, 31.)

3.3 Limitations and ethical considerations

Problems in this thesis are that due to the small scope and narrow examples it is impossible to draw any definitive conclusions that are applicable to, for example, other fields of hospitality or other parts of the world. (Bryman & Bell 2007, 412.)

As the thesis is based on unstructured interviews, observations and lectures which are all, to some extent, subjective these remarks need objectivity and validation. (Bryman & Bell 2007, 450.) This is done by backing the remarks by secondary data from the example companies' official external communication i.e. their websites and from other third party sources such as blogs and newspaper posts.

It should also be pointed out that none of the originators of the primary data via the methods introduced knew they would be a part of a thesis. This is something that inhibited them from adapting or altering their actions or spoken words based on the situation. In addition it should be noted that using the data without their knowledge is on a somewhat grey area. (van der Velde, Jansen & Anderson 2004, 100.) However as mentioned above the remarks are all backed by references. As a result of this no names or exact positions of the people have been disclosed. (van der Velde, Jansen & Anderson 2004, 136.)

All of the documents now introduced it remains critical that quality control is kept when browsing the documents in question. There are 4 characteristics that need to be taken into consideration: authenticity, credibility, representativeness and meaning. If the origin of the document is questionable it may not be authentic. Errors can demolish the credibility of a document. If a document is not typical its representation can be questioned. Finally, if a document is not understandable and clear it can lose its meaning. (Bryman & Bell 2007, 555.) Upon inspecting the quality of the documents used in this thesis no red flags raise their head. The literature as well newspaper articles and the companies' external information networks are reliable and can be considered valid. The use of blogs as a reference can be considered to be on a looser base than for example scientific literature. However the blogs referenced are relatively well known in their fields in Finland.

This chapter has discussed the methodology in its entirety. First the qualitative and quantitative research strategies have been introduced and compared. The selection of qualitative approach has been justified as well the selection of example companies as a method. The data collection and process of analysing the results have been introduced before considering the ethical issues and limitations of the thesis.

4 Analysis of results

In this chapter analysis of the results will be taken. Each of the 3 hospitality field example companies will be analysed more closely and their characteristics viewed more closely and supported with theory.

First, is the accommodation field and example company hotel Klaus K. This is followed by Grotesk from the restaurant field of hospitality. Finally, there is the transportation field and OnniBus.com.

4.1 Accommodation – Klaus K

Hotel Klaus K is a design hotel with a theme based from the Finnish national epic Kalevala located in the Helsinki city centre. Originally opened in 1938 as the Klaus Kurki hotel but since 2005 the hotel has gone by the name of Klaus K. It was then when Marc Skvorc and Mia Cederberg-Skvorc took charge and reinvented the hotel. Along with a 15 million euro bill came the transformation to a Kalevala themed hotel and the hotel also joined the Design Hotels. (Savolainen 28 March 2014) Most of the rooms are based on the 4 emotions found in Kalevala: desire, passion, mysticism, and envy. In addition there are a few special rooms such as the Movie Room designed by Harri Koskinen. The interior design is inspired by Akseli Gallen-Kallela who is known as the Finnish national painter. (Klaus K 2015.)

The theme of Kalevala is the whole underlying foundation for the Klaus K design hotel. In Kalevala it is written that the universe was built from seven eggs and sure enough the reception desk of Klaus K is the taken a shape based on the world creation story of Kalevala. The fish, pike, is also an important element in the Kalevala and a huge custom built pike artwork can be found in their lounge. The hotel's Ahjo Bar was named after the fireplace of the smith Ilmarinen where he forged the legendary Sampo. (Savolainen 28 March 2014)

It does not matter if it is intentional or even good but in every experience there can be found a theme. There are 5 steps in successfully implementing a theme. First, a theme must change the everyday reality of a consumer. This can be done via changing the self-image, environment or social setting. Second, in order to completely change the reality there are 3 things that need to be taken into consideration: space, matter and time. Third, a great experience takes these 3 things of space, matter and time and organizes them into a holistic and realistic entity. Fourth, a key to strengthen a theme is through the creation of number of places within a place. Finally fifth, a theme should be in line and

represent the company who is staging the experience. A theme should add up with the company in a cohesive way. To summarize a theme needs to be precise and captivating without using too much cluttering elements. A theme should be felt everywhere instead of being just a clumsy marketing trick or a vague mission statement. A theme should be the underlying force that moves everything towards captivated and engaged customers. (Pine & Gilmore 2011, 73-78.)

What hotel Klaus K has successfully achieved is taking the first step in staging an experience by introducing a theme. Instead of just slapping a few artefacts and painting a few walls in order to theme an experience is not enough. Successful thematic implementation starts from within. It is the very base that everything is built upon. Theme should be presented as a unified front compiling a holistic experience where everything is taken into consideration. (Pine & Gilmore 2011, 67-68.)

The architecture of the hotel was done by SARC Group and the interior design by Stylt Trampoli. Both of these companies have executed the vision of Marc Skvorc and Mia Cederberg-Skvorc to the letter. The overall experience and attention to detail is truly remarkable and surely is in no small due to these attributes combined with the Kalevala theme that Klaus K has done brilliantly in creating a new category of hotels in Helsinki. (Design Hotels 2015.)

Hotel Klaus K is the very first design hotel in Helsinki and in Finland for that matter. Their innovative vision and the willingness and fate in doing things differently and pioneering a new hotel category in Finland have proven to be so successful as to attract interest from competitors.

In May 2014 it was announced that Hotel Klaus K would be sold to the Kämp Group. It seems that Kämp Group is very much aware that experiences are what matters since their CEO Aarne Hallama told in the following press conference that there are 3 criteria that hotel guests base their purchase on: quality-to-price ratio, essential location and this aforementioned criteria of experiences. The growth of Kämp Group is based in its entirety on these last two features of essential location and experiences. (Helsingin Sanomat 2014.)

Now that Hotel Klaus K has taken the title of the first design hotel in Finland it needs to be aware of rising and current competition. This is due to the fact that differentiated hotels such as Klaus K are competing in a wider geographic area than may seem realistic. It is evidenced to be enough that in order to lessen competition in the near proximity of a hotel all a hotel needs to do is quality differentiation. On the other hand if a hotel is not

differentiated by quality competition will span over a larger area. What this means is that it is not true that hotels of similar quality that are close to each other are each other's biggest competitors. Furthermore those similar hotels could even further lessen the competition by co-operating with each other while gaining traction in more wide geographical areas. It is also notable that hotels with high levels of uniqueness have a tendency to compete more with other hotels with high uniqueness levels and the proximity should not be looked too closely. In order to make great strategic decisions the uniqueness should be emphasized over proximity in hotels of high uniqueness levels. (Lee 2014, 121.) As Kämp group now has ownership of the Klaus K hotel competition for it spans wider and this is something that Kämp group must consider.

In 2005 Marc Skvorc and Mia Cederberg-Skvorc took a bold step by reinventing the former Klaus Kurki hotel. While this step may have been risky it should be noted that innovation especially in challenging times can be well worth the risk. Why should hotels innovate in this current economic turbulence? The answer is simple; innovation remains a key aspect in increasing profits and also improving competitive advantage especially in an environment of turbulence. That competitive advantage is a great at turning into preferences by consumers. In a hotel environment innovation can be seen as the direction of putting out new offerings and processes to a market looked at from a competitive point of view. (Campo, Díaz & Yagüe 2014, 1294-1295.)

This part has introduced hotel Klaus K and their differentiation and innovation efforts towards creating a new hotel category in Helsinki. The Kalevala theme of Klaus K has been analyzed along with their focus on design. Change in ownership and competition as well as the characteristics of uniqueness in hotels has been discussed.

4.2 Restaurant – Grotesk

Grotesk is a restaurant operating in the Helsinki city centre. Even though they have a little bit of fine dining image they are focusing on an all-day dining experience. Huge emphasis is on the quality and on the fact that they make everything themselves in the restaurant from the bread to the ice cream. The year 2014 saw 2 big changes or updates in the restaurant. First they started using the Big Green Egg charcoal grill that Michelin starred European restaurants are also known to use. Along with this their menu changed to a meat oriented one with a touch of fish as well. (Grotesk 1 October 2014.) The second change was a revolutionary one, they changed their wine pricing sales margin to a fixed 20€ over the restaurant's purchase price where VAT is then added to conclude the final sales price on all wines. (Grotesk 23 May 2014.)

Pricing is one of the four P's of marketing the others being product, place and promotion. (The National Restaurant Association Educational Foundation 2007, 8.) Before any restaurant starts pricing actual offerings a pricing strategy needs to be established. What needs to be taken into consideration is that the pricing strategy follows the marketing strategy and is coherent with it. The philosophy of a company is a good place to base a pricing strategy whether the restaurant is an upscale luxury restaurant, a hipster bistro or a fast food place. Other considerations are expectations and willingness to pay by customers as well as how you wished to be seen in the market place.

While this sort of wine pricing is not totally unheard of restaurant Grotesk executed the change with great skill and marketing. By remembering to shout it from the rooftops in both traditional media and social media this phenomenon gained a lot of traction and buzz and needless to say boosted the change even more. It is not merely enough to change something but in addition companies must communicate that change as clearly as possible. (Koskelo 24 May 2014.)

Sales promotions, advertising, public relations and personal selling are all components of the promotion mix while promotion being one of the four P's of marketing. While advertising and public relations can intertwine quite easily in their characteristics the principle difference is that advertising is paid while public relations are not. Sales promotions are more urgent and offer greater incentive than advertising. Personal selling involves the creation of a customized and individual bond between a company and a customer which consist of a meeting in order to exchange information and to do a sale.

There are 4 things to consider when planning a promotion mix. First, it is critical that you find out and identify the recipient for your communication. Second, now that the audience is there you need to figure out the how and the what. How meaning the means of reaching those people and what meaning what do you want to say to them. Third, once this is all done you can go back to the promotion mix and choose the best tactics that suit the situation. Finally fourth, now that all of the pieces of the puzzle are together a more detailed planning of the implementation must occur. Documentations and checklist are recommended to keep improving focus and saving time and money. (The National Restaurant Association Educational Foundation 2007, 108-112.)

The remaining two P's from the four P's of marketing are product and place. In restaurants the product includes things like the ingredients and preparations as well the item itself. In addition there are things such as appearance, atmosphere and the satisfaction of the customer. All in all the overall experience is a part of the product category. In the place category in restaurants in addition to the establishment itself also included are options like

home delivery and catering. (The National Restaurant Association Educational Foundation 2007, 8-9.)

This kind of wine pricing breaks the norm and in addition gives the customers transparency. This removes any shadow of a doubt what the price of that wine actually is. Why this makes such good news is that the wine cellar of restaurant Grotesk is of stellar quality and ingenuity. The wine list is filled with interesting wines for those interested but now in an excellent price. This wine pricing also extends to their cocktail bar which is located next to the actual restaurant itself.

As literature under illustrates they can now reap more profits as euro based discounts work great with people with and without power and confidence. Whereas if Grotesk had gone a different way and opted for the percentage based sales margins people with less power and confidence would not have seen the situation as favourable.

Promotions on price are popular since they achieve higher volumes. Generally there are two types of such promotions. The first one is based on currency and the other is based on percentages. From the customer perspective there are 2 things to consider; the perceived amount of savings and the purchasing willingness. Promotions based on currency are perceived to be easy and accurate while promotions based on percentage are more complex and difficult which leads to the consumer undervaluing the offering thus decreasing the perceived savings and willingness to buy. Although there is more to the point since offerings with higher prices tend to be more lucrative with currency based promotions while this position is held by percentage promotions in lower priced offerings. (Choi & Mattila 2014, 149-150.)

Things that affect these perspectives are power and confidence. Both of them work in different ways. Power can be defined as ability or a perception of it to influence the states of others by resource and punishment choices. What characterizes people with power is that they are ready to take action while having access to rewards and the tools to achieve them. In addition people with power are quicker on their feet and generally more optimistic. Bearing this in mind it is said that people with power are ambiguous whether the promotion is currency or percentage based. Instead they focus on the positive and are more optimistic and focus also on the rewards and opportunities. People with low power are more deliberative, sceptic and negative. They are also quick on their feet when concerning threats and inhibition. Due to this suspiciousness and tentativeness people with low power are more prone to currency promotions than percentage promotions due to their complexity and perceived downsides. (Choi & Mattila 2014, 150-151.) What Grotesk did was base their sales margin on euros rather than percentages. This was a smart move

since euro based promotions are effective for all people no matter what the power and confidence levels.

When it comes to confidence it is noted that power increases confidence and vice versa. In a setting where the revised price is not visible but merely the currency versus percentage promotions are shown consumers prefer the first option. That is due to the fact that percentage promotion is more complex and difficult which in turn lowers the confidence. This low confidence directly weakens the perceptive savings and buying willingness. (Choi & Mattila 2014, 152.) What companies can do is temporarily enhance the power and confidence levels of a consumer in order to improve the perceived savings and buying willingness. This can be done by editing the servicescape and its atmosphere or ambience. (Choi & Mattila 2014, 158.)

This part has introduced restaurant Grotesk and their differentiation efforts with their wine pricing strategy and also a little due to their focus on a meat oriented menu with the Big Green Egg charcoal grill. The 4 P's of marketing has been discussed in the context of the differentiation efforts of Grotesk and how it relates to Grotesk. Pricing and promotion from the aforementioned 4 P's were discussed more closely due to their relevance. Finally, the effect of euro versus percentage promotions were analysed and also the effect of power and confidence to those promotions.

4.3 Transportation – OnniBus.com

When it comes to tourist transport 3 distinct modes are available; water, air and land. Water tourist transport includes the likes of ferries and cruise ships while some of the air tourist transport includes charter and scenic flights. Train, caravan bus and car make up the land tourist transport. These tourist transport modes can be seen as having 3 purposes; first by transporting to the host area from the generating area or, secondly, between as well as, thirdly, within host areas. (Page 2009, 14.)

From the horses helping small traveller groups the part of road transportation known as bus has evolved into a modern internationally growing business seen as a sustainable option for air travel. Traditionally viewed as a travel method only used by the elderly it has recently gotten traction due to trends in sustainability. City breaks and sport holidays are some of the major constituents of bus travel. Bus travel is seen as an inexpensive alternative although at some point comfort and speed will triumph over it. Better suited to short and medium distances than long journeys bus travel offers more flexibility than air travel. Due to its environmentally friendly status bus travel can increase by government

policies on sustainability. (Pender 2001, 145-147.) Employing around 10 million people in the EU bus travel is meant to refer to inter-urban, rural or urban trips. (Page 2009, 160.)

If we look at the tourist transport continuum on the other side of the continuum is transport as a utility of having low intrinsic value in the overall tourism experience (figure 7). The other side there is transport as tourism and having high intrinsic value in the overall experience. In the latter there are transportation means such as walking, cycling or kayaking where as in the other side there are taxi, bus and metro. Transport means such as flights, rail and cruises drop somewhere in between. (Page 2009, 24-25.)

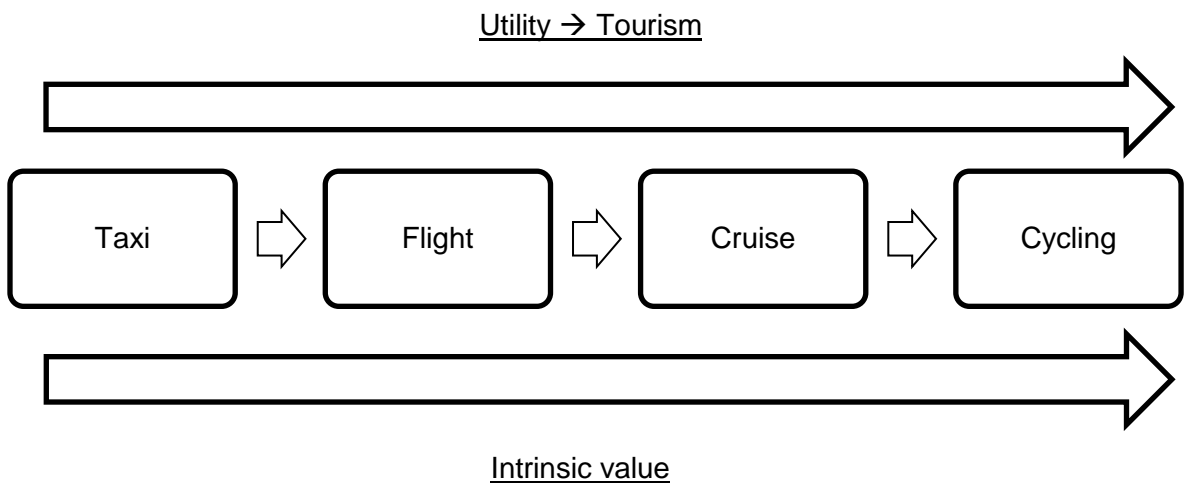


Figure 7. The Tourist Transport Continuum (Page 2009, 25.)

OnniBus.com is a Finnish budget bus company established in 2011. The company started operating in 2012 with long distance express services. The slogan of the company is “fast, cheap and reliable”. That paints a good picture of this innovative and quality oriented express bus company. In July 2014 OnniBus.com renewed their routes and now operates in 11 different routes. (OnniBus.com 2015.) OnniBus.com uses yield management to keep their prices low and profits high. (Mohammed 2010, 106.)

OnniBus.com has been innovatively using trade-offs in their business model. Even though their pricing can be considered inexpensive and quality high it comes with the expense of other characteristics. They do not have that many stops along the route and also their starting and finishing stops are not always situated in the same locations as other bus companies'. In addition their departure and arrival times can be a bit inconvenient. OnniBus.com sells tickets mainly in their website. This means that when boarding to bus the only thing you need is a reservation number. It is possible to buy tickets from the driver if there is room in the bus but only bank and credit cards are accepted and the price

will be more expensive than buying online in OnniBus.com website. (OnniBus.com 2015.) Change and the introduction of new information technology is something managers must be aware and ready to adapt and like Megabus in the UK first and OnniBus.com in Finland has both shown that they can implement. (Page 2009, 81.)

Their modern bus fleet is also very distinctive with red coloured double-decker buses featured with big white advertising. Inside these modern buses are included air-conditioning, charge points for mobile devices, Wi-Fi, adjustable leather seats, toilet, seat belts and access for handicapped persons. (OnniBus.com 2015.)

What does good quality in a bus company exactly mean? 2 approaches can be taken. First if looking at the situation from a customer service perspective, OnniBus.com has a good customer service which can be constructed in a following way. A model of customer service applied from rail travel can be used for bus travel as well. It is a 4 step model first of which is fulfilling the basic needs of safety and reliability. Once this has achieved the higher needs of cleanliness and up-to-date information must also be met. Now it is time to delight the customer with customer service. Finally service excellence must be offered through the value adding experience. (Page 2009, 128.)

In addition to good customer service quality can be seen as its own as well. Quality can be defined in the following way. Total quality of an offering, service or even a good, can be defined in simply put by 3 things: image, technical quality and functional quality. If a company enjoys a good image small mistakes are more likely to be forgiven which is not the case when the image is poor. Technical outcome refers to the outcome and to the what. In terms of bus travel if a passenger is delivered on time to the right place the technical quality can be deemed good. There is also the functional quality the how which consists of the process itself. Even though a bus passenger is delivered on time to the right place the travel there could have been terribly due to, for example, a driver driving too fast and recklessly while shouting out inappropriate words. The technical and functional qualities form the two service quality dimensions through which total quality is viewed via a company image. (Grönroos 2007, 73-74.)

OnniBus.com was the first budget bus company in Finland and their usage of yield management has proven successful in the past years. Even though they are an inexpensive budget bus company their level of quality has remained very high. This combination has been a key factor in their success. The combination is proved to be more valuable than the sacrificed counterparts of time, location.

In addition to the quality OnniBus.com offers the key factor in their differentiation success has been on their pricing strategy. If looking at the pricing strategy of OnniBus.com more

closely, the pricing tactic they use is yield management. But what is yield management and in which pricing strategy it belongs? The 4 entities in the differential pricing strategy of the pricing blossom strategy are; creating hurdles for the customer, based on customer characteristics, based on selling characteristics and based on selling techniques. Dynamic pricing tactic is under the selling techniques. (Mohammed 2010, 89.) What dynamic pricing does is assist the company in setting the correct value-based prices, in unique markets via software, which are based on demand. Since prices change often dynamic pricing tactic is suited for those offerings which have electronic price tags.

Dynamic pricing can be used in 3 different offerings; those that are perishable, for those that's demand fluctuates and for those which sell slow but are highly profitable. In the case of perishable products yield management is used that is a type of dynamic pricing. Airlines trying to sell seats in their airplanes, hotels trying to sell rooms in their hotels and cruise lines trying to sell cabins in their ships are known for using yield management since it is characterized by offerings that have fixed capacity. Software monitors demand and sets prices accordingly to maximise profits. (Mohammed 2010, 106.) What makes differential pricing essential is by addressing the issue that different customers are willing to pay differently for the same offering. If only one price is announced benefits are not being fully utilized. Differential pricing tactics try to recognize customer value expectations and then set prices accordingly to maximise profits. The only downside of differential pricing is customers prepared to pay more take advantage of discounts, not meant for them, which is called cannibalization. (Mohammed 2010, 88-89.) Through the successful implementation of yield management OnniBus.com has managed to differentiate with the help of it and the previously mentioned quality level.

This part has described the different transport modes available in tourism and offering a glimpse at the history and state of bus travel. In addition the tourist transport continuum was introduced before jumping ahead to the example case of OnniBus.com. The company was introduced along with the characteristics of their differentiation and innovation efforts. The quality, trade-offs and pricing strategy of OnniBus.com was introduced along with relevant theory.

Now that all of the example companies have been introduced and their characteristics of differentiation and innovation have been analyzed it remains only to draw the final conclusions and implications of this thesis. As literature has now been reviewed ranging from services and experiences to differentiation and innovation and example companies examined as well it remains time to see what similarities and implications are there. As literature shows a lot of models and frameworks are available in terms of innovation and differentiation and now we have seen what hospitality companies are actually doing in

order to differentiate and innovate in real life. Quality remains a key component in differentiation and innovation efforts. Along with it as evidenced by the example cases pricing strategies as well experiences as a part of the progression of economic value remains a key component.

5 Conclusions and implications

It can be concluded from Klaus K that they operate in the experience stage of the progression of economic value. Companies in this stage can charge more for their offerings as witnessed in the aforementioned model. In the experience stage customer needs are also raised so customers are more demanding in this stage. Pricing strategies and tactics of Klaus K are not available in this thesis.

From the innovation continuum the efforts of Klaus K can be constructed as being substantial based on their pioneering the design hotel category in Finland. Along with the introduction and success of their Kalevala theme further illustrates this justification. It can also be argued that the type of innovation of Klaus K falls, at least partly, under the birth of a new market since they feature a considerably unique experience with their Kalevala and design characteristics.

Being the first design hotel of Finland in 2005 Klaus K capitalized on one of the ideas to differentiate. Klaus K can be also categorized as being a system-buy type of differentiation their hotel (merchandise) being of the highest order accompanied by things like service, restaurant and a bar (support).

Thanks to their wine pricing and focus on a meat oriented menu accompanied by the Big Green Egg charcoal grill the differentiation level of Grotesk can be considered high on the progression of economic value. Unlike Klaus K, Grotesk operates at the moment in the service stage. Grotesk also offers a competitive pricing strategy with their fixed sales margin in wine for the differentiation level they are operating. The level of customer needs in the service stage are medium which should lead to customer delight when considering the differentiation and price propositions of Grotesk.

Grotesk and their efforts in innovation can be categorized as incremental in the innovation continuum. Grotesk has not created a new category per se but increased attraction and preferences by customers can be inferred.

With their 20€ fixed sales margin on all wines and their promotion and communication about it Grotesk has managed to own themselves an attribute which is an idea to differentiate. Even though this kind of pricing has been done before, no one has quite managed to claim this attribute. Based on their emphasis on quality and also reputation (merchandise) but with no special functions (support) Grotesk can be categorized as a product-buy type of differentiation.

Seeing as how OnniBus.com is leveraging their pricing as a mean of differentiation their levels of differentiation can be considered high but their pricing level low. This combination of differentiation and price can be compelling for the medium level of customer need in the service stage OnniBus.com is operating in the progression of economic value. As a pricing strategy OnniBus.com uses differential pricing, to be more specific a dynamic pricing tactic called yield management, which together with the aforementioned levels of the progression of economic value have yielded beneficial results.

On the innovation continuum OnniBus.com can be categorized as substantial. With their aggressive pricing and quality OnniBus.com has managed to draw attention and made a dent to the market place with their business model. Essentially they have created a new category and a market which is a type of innovation.

By being the first budget coach company in Finland and their implementation of an aggressive pricing strategy they are known for they have implemented 2 ideas to differentiate. Whereas if looking at what type of innovation OnniBus.com has implemented, an argument can be made against product-buy. Their quality and service characteristics combined with their pricing (merchandise) make an appealing offering but on the other hand they only operate 11 routes at the time and the most viable ticket purchasing platform is only in their website (support).

As we have now seen from the examples multiples avenues can be taken when differentiating and innovating in the hospitality business. What we have seen through these example companies only scratches the surface of what is possible for companies with differentiation through innovation. In addition to the example companies theory has a myriad of models and frameworks on how to differentiate and innovate in today's cutthroat marketplaces.

As evidenced by the example companies there are some similarities among them even though each of them has followed their own path towards differentiation and innovation success. It comes as a no shock to notice that all of the example companies in these 3 different hospitality fields of accommodation, restaurant and transportation have a quality oriented focus in their businesses. Klaus K, Grotesk and OnniBus.com have all high level of quality in their offerings, products and services. Since product and service categories have evolved in the last years so has the expectations and needs of customers as evidenced in the progression of economic value. It is not enough to lower the price or the value of the offering with the sacrifice of the quality proposal.

In addition to the quality of offerings both Grotesk and OnniBus.com in the restaurant and transportation fields have remembered to implement a critical component of any differentiation or innovation strategy: tell it, or even better shout it, to the customers. Grotesk has managed to create a buzz around by forwarding their goods news to the press and social media. While their innovative and game changing pricing strategy is not totally unheard of their execution of updating to it was nothing short of a success. The extremely colourful double-decker red buses of OnniBus.com with their 1 euro starting price painted with massive white letters will surely not go unnoticed. OnniBus.com has stepped away from the sea of more conventional competitors and really upped their game when it comes to recognizing their transportation vehicles.

Marketing and communications among with the previously mentioned quality are not the only characteristics combining Grotesk and OnniBus.com in the restaurant and transportation fields of hospitality when it comes to differentiation and innovation. Both of these example cases have found a game changing pricing strategies and tactics. With a move to fixed sales margins in their wine list Grotesk did what others have yet to fully embrace. Their attempt to remove uncertainty and revitalize the wine culture in Helsinki restaurant scene has proved to be successful. OnniBus.com innovated the express bus category with their dynamic pricing more precisely yield management. By introducing this new pricing strategy OnniBus.com has revitalized the category and shown their competitors something to think about.

Hotel Klaus K has shown what is possible when implementing a theme correctly and building the entire experience around it. All experiences have a theme and Klaus K has taken a holistic approach and set the theme as the underlying premise for the experience that is Klaus K. With their quality standard being very high and their attention to detail impeccable the experience of Klaus K is built as are great tales, with a story.

In addition to pricing, quality and marketing restaurant Grotesk has put the cards on the table so to speak with their transparency concerning their pricing. Via this transparency customers know exactly what they pay and for what. In an era where customer has more information than ever concerning their purchases this can be a very beneficial characteristic. Finally, with the move towards a meat oriented menu along with the Big Green Grill Grotesk made statement of intent and clearly changed focus on a specific style of menu and indeed customers. It seems that they have expertise on that and are willing to pounce on it even though it may not cater to everybody's wants and needs. Instead of doing a lot of things well they seem to have opted to go a few things great. This sort of attitude can go a long way of differentiating from the competitive pool where that attitude may not be adopted as eagerly.

Much like Grotesk, OnniBus.com has to thank their pricing scheme, level of quality in their offerings as well as successful marketing in their correct path to differentiation. In addition to those characteristics OnniBus.com is reminiscent of Ikea in their trade-offs. By sacrificing the elements of time and location OnniBus.com has managed to maintain the dual value pillars of price and quality. Although time is both sacrificed in departure and arrival times but saved in the scarcity of stops.

As literature and example companies have demonstrated there is a lot to be done with differentiation and innovation. These example companies are just scratching the surface when it comes to exploring the full range of differentiation and innovation strategies and tactics. What companies face is the higher risk but more sustainable competitive advantage attached to differentiation and innovation.

This thesis has looked at services, experiences, differentiation and innovation from different perspectives while multiple definitions, models and frameworks introduced especially in differentiation and innovation. 3 example companies from Helsinki in the hospitality fields of accommodation, restaurant and transportation have been introduced and analysed from the viewpoint of differentiation and innovation. It has been noted that these example cases have shown some similar characteristics in their successful differentiation. Due to the small scope and shallow depth of the thesis these results can be looked as examples and inspirations rather than stone cold facts that would be generally applicable. The results are partially based on observations which are subjective in nature but are supported with more objective unstructured interviews and lectures and of course literature and secondary data.

This qualitative research has taken a glance at the hospitality scene in Helsinki in terms of differentiation and innovation. The results are along the same lines as suggested by literature but there is no doubt that more can be done as it has evidenced that there are tools available for a successful implementation of a differentiation and innovation strategies.

As evidenced above the goal and objective of this thesis was achieved. Literature about differentiation and innovation has been introduced and discussed as well as example companies. Conclusions and implications have also been discussed and presented.

Future research could examine how willing are companies to innovate in this time of economic turbulence considering that especially in these hard times innovation can be especially benefitting. Another suggestion for future research could be how much

organizational support companies trying to innovate or differentiate possess. Finally, future research could study the relationship between organizational support and innovation or differentiation success.

References

Aaker, D. 2011. Brand relevance: making competitors irrelevant. Jossey-Bass, San Francisco.

Banker, R., Mashruwala, R. & Tripathy, A. 2014. Does a differentiation strategy lead to more sustainable financial performance than a cost leadership strategy? *Management Decision*, 52, 5, pp. 872-896. URL: <http://www.emeraldinsight.com/doi/abs/10.1108/MD-05-2013-0282>. Accessed: 21 January 2015.

Barney, J. 2007. Gaining and sustaining competitive advantage. Pearson Prentice Hall. New Jersey.

Becerra, M., Santaló, J. & Silva, C. 2011. Differentiation and the Relationship between Product Market Competition and Price Discrimination. Instituto de Empresa Business School Working Paper No. DE8-138-I. URL: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1956616. Accessed: 21 January 2015.

Bryman, A. & Bell, E. 2007. Business research methods. 2nd ed. Oxford University Press. New York.

Campo, S., Díaz, A. & Yagüe, M. 2014. Hotel innovation and performance in times of crisis. *International Journal of Contemporary Hospitality Management*, 26, 8, pp. 1292-1311. URL: <http://www.emeraldinsight.com/doi/abs/10.1108/IJCHM-08-2013-0373>. Accessed: 21 January 2015.

Choi, C. & Mattila, A. 2014. The effects of promotion framing on consumers' price perceptions: The moderating role of a personal sense of power. *Journal of Service Management*, 25, 1, pp. 149-160. URL: <http://www.emeraldinsight.com/doi/abs/10.1108/JOSM-11-2012-0234>. Accessed: 21 January 2015.

Coutelle-Brillet, P., Riviere, A. & Des Garets, V. 2014. Perceived value of service innovation: a conceptual framework. *Journal of Business & Industrial Marketing*, 29, 2, pp. 164-172. URL: <http://www.emeraldinsight.com/doi/abs/10.1108/JBIM-04-2012-0066>. Accessed: 21 January 2015.

Design Hotels 2015. Klaus K. URL:

<https://www.designhotels.com/hotels/finland/helsinki/klaus-k>. Accessed: 20 February 2015.

Gremyr, I., Witell, L., Löfberg, N., Edvarsson, B. & Fundin A. 2014. Understanding new service development and service innovation through innovation modes. *Journal of Business & Industrial Marketing*, 29, 2, pp. 123-131. URL:

<http://www.emeraldinsight.com/doi/abs/10.1108/JBIM-04-2012-0074>. Accessed: 21 January 2015.

Grotesk 2014. Grotesk uudistui. URL: <http://www.grotesk.fi/2014/10/05/grotesk/>.

Accessed: 21 February 2015.

Grotesk 2014. Uutisia viinin ja ruoan ystäville Groteskissa!. URL:

<http://www.grotesk.fi/2014/05/23/uutisia-viinin-ja-ruoan-ystaville-groteskissa/>. Accessed: 21 February 2015.

Grönroos, C. 2007. *Service management and marketing: customer management in service competition*. Wiley. Chichester.

Helsingin Sanomat 2014. Kämp Group osti Klaus K -hotellin Bulevardilta. URL:

<http://www.hs.fi/talous/a1400121077859>. Accessed: 20 February 2015.

Klaus K 2015. Design Hotel in Helsinki City Center. URL:

<http://www.klauskhotel.com/en/hotel/design-hotel-in-helsinki-city-center/>. Accessed: 20 February 2015.

Koskelo, A. 2014. Viinipiru – Arto Koskelon blogi nautiskelusta. Viinihinnoittelun

sivunkääntö. URL: <http://viinipiru.fi/2014/05/24/viinihinnoittelun-sivunkaanto/>. Accessed: 21 February 2015.

Lee, S. 2014. Quality differentiation and conditional spatial price competition among hotels. *Tourism Management*, 46, pp. 114-122. URL:

<http://www.sciencedirect.com/science/article/pii/S0261517714001216>. Accessed: 21 January 2015.

Mathur, S. & Kenyon, A. 2008. *Creating valuable business strategies*. Elsevier. Oxford.

- Mohammed, R. 2010. *The 1% windfall: How successful companies use price to profit and grow*. HarperCollins. New York.
- Moon, Y. 2010. *Different*. Crown Business. New York.
- Moore, G. 2006. *Dealing with Darwin: how great companies innovate at every phase of their evolution*. Capstone. Chichester.
- National Restaurant Association Educational Foundation 2007. *Restaurant marketing: competency guide*. Pearson Prentice Hall. New Jersey.
- Nolton, R., Gustafsson, A., McColl-Kennedy, J., Sirianni, N. & Tse, D. 2014. Small details that make big differences: A radical approach to consumption experience as a firm's differentiating strategy. *Journal of Service Management*, 25, 2, pp. 253-274. URL: <http://www.emeraldinsight.com/doi/abs/10.1108/JOSM-01-2014-0034>. Accessed: 21 January 2015.
- Onnibus 2015. About OnniBus.com. URL: <http://www.onnibus.com/en/about-us.htm>. Accessed: 22 February 2015.
- Onnibus 2015. Bus Features. URL: <http://www.onnibus.com/en/bus-features.htm>. Accessed: 22 February 2015.
- Page, J. 2009. *Transport and tourism: global perspectives*. 3rd ed. Pearson Prentice Hall. Harlow.
- Pender, L. 2001. *Travel trade and transport*. Continuum. London.
- Peters, M. & Pikkemaat, B. 2005. *Innovation in hospitality and tourism*. The Haworth Hospitality Press. New York.
- Pine, J. & Gilmore, J. 2011. *The Experience Economy*. Harvard Business Review Press. Boston.
- Porter, M. 2004. *Competitive advantage: creating and sustaining superior performance*. Free Press. New York.
- Porter, M. 2004. *Competitive strategy: techniques for analyzing industries and competitors*. Free Press. New York.

Savolainen, J. 28 March 2014. Helsingin designkorttelin sydän – Klaus K. Pako Arjesta. URL: <http://www.rantapallo.fi/pakoarjesta/helsingin-designkorttelin-sydän-klaus-k/>. Accessed: 20 February 2015.

Silva, R. 2014. Multimarket contact, differentiation, and prices of chain hotels. *Tourism Management*, 48, pp. 305-315. URL: <http://www.sciencedirect.com/science/article/pii/S0261517714002350>. Accessed: 21 January 2015.

Tarssanen, S. 2004. Handbook for experience tourism agents. University of Lapland Press. Rovaniemi.

Trout, J. 2000. Differentiate or die: survival in our era of killer competition. Wiley. New York.

Tzortzaki, A. 2014. Knowledge-based strategies for managers in the service sector. *Management Research Review*, 37, 10, pp. 858-879. URL: <http://www.emeraldinsight.com/doi/abs/10.1108/MRR-03-2013-0080>. Accessed: 21 January 2015.

van der Velde, M., Jansen, P. & Anderson, N. 2004. Guide to management research methods. Blackwell. Malden.

World Design Capital Helsinki 2012. URL: <http://wdchelsinki2012.fi/en>. Accessed: 6.3.2015.

Zikmund, W., Babin, B., Carr, J. & Griffin, M. 2010. Business research methods. 8th ed. South-Western.